



**Interim Report for the  
Second Quarter Ended  
31 December 2010**

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**LION FOREST INDUSTRIES BERHAD (82056-X)**  
(Incorporated in Malaysia)

Interim report for the second quarter ended 31 December 2010  
(The figures have not been audited)

**CONDENSED CONSOLIDATED INCOME STATEMENT**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31/12/2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2009 RM'000	CURRENT YEAR TO-DATE 31/12/2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2009 RM'000
<b>Continuing Operations</b>					
Revenue		144,639	99,613	268,071	200,747
Operating expenses		(146,227)	(96,153)	(278,925)	(197,383)
Other operating income		6,066	5,621	13,041	11,892
Profit from operations		4,478	9,081	2,187	15,256
Finance costs		(376)	(1,750)	(762)	(4,011)
Share in results of associated companies		(2,044)	34,267	(4,851)	55,517
Profit/(Loss) before taxation		2,058	41,598	(3,426)	66,762
Taxation	16	(1,354)	(967)	(2,658)	(2,445)
Profit/(Loss) for the period from continuing operations		704	40,631	(6,084)	64,317
<b>Discontinued Operations</b>					
Profit for the period from discontinued operations	9	184,713	12,985	193,899	24,747
Profit for the period		<u>185,417</u>	<u>53,616</u>	<u>187,815</u>	<u>89,064</u>
Attributable to :					
- Owners of the parent		189,426	53,548	192,541	85,530
- Minority interests		(4,009)	68	(4,726)	3,534
Profit for the period		<u>185,417</u>	<u>53,616</u>	<u>187,815</u>	<u>89,064</u>
Earnings per share attributable to owners of the parent (sen) :					
- Basic :					
For continuing operations	24	14.67	18.50	12.68	28.09
For discontinued operations		67.13	4.74	70.49	9.04
		<u>81.80</u>	<u>23.24</u>	<u>83.17</u>	<u>37.13</u>
- Diluted :					
For continuing operations	24	N/A	N/A	N/A	N/A
For discontinued operations		N/A	N/A	N/A	N/A
		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

*(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)*

**LION FOREST INDUSTRIES BERHAD (82056-X)**  
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(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/12/2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2009 RM'000	CURRENT YEAR TO-DATE 31/12/2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2009 RM'000
Profit for the period	185,417	53,616	187,815	89,064
<u>Other comprehensive loss</u>				
- Translation difference & other movements	(4,524)	(5,402)	(6,588)	(6,250)
- Net loss on fair value changes on available-for-sale financial assets	(63)	-	(45)	-
Other comprehensive loss for the period, net of tax	(4,587)	(5,402)	(6,633)	(6,250)
Total comprehensive income for the period	<u>180,830</u>	<u>48,214</u>	<u>181,182</u>	<u>82,814</u>
Attributable to :				
- Owners of the parent	184,316	48,623	186,563	80,069
- Minority interests	(3,486)	(409)	(5,381)	2,745
	<u>180,830</u>	<u>48,214</u>	<u>181,182</u>	<u>82,814</u>

*(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)*

**LION FOREST INDUSTRIES BERHAD (82056-X)**

(Incorporated in Malaysia)

Interim report for the second quarter ended 31 December 2010

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>Note</u>	<b>AS AT END OF CURRENT QUARTER 31/12/2010 RM'000</b>	<b>AS AT PRECEDING FINANCIAL YEAR END 30/6/2010 RM'000</b>
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		139,156	350,674
Investment properties		1,291	1,305
Prepaid land lease payments		4,228	8,661
Investments in associated companies		86,498	130,587
Other investments		-	25,933
Available-for-sale investments		1,214	-
Held-to-maturity investments		15,968	-
Deferred tax assets		862	862
Total Non-current Assets		<u>249,217</u>	<u>518,022</u>
<b>Current Assets</b>			
Inventories		149,068	121,705
Other investments		-	10,552
Held-to-maturity investments		13,605	-
Trade receivables		116,861	140,163
Other receivables and prepaid expenses		190,387	182,878
Tax recoverable		1,135	1,060
Fixed deposits, cash and bank balances		753,852	408,794
		<u>1,224,908</u>	<u>865,152</u>
Assets classified as held for sale		4,297	-
Total Current Assets		<u>1,229,205</u>	<u>865,152</u>
<b>TOTAL ASSETS</b>		<u><b>1,478,422</b></u>	<u><b>1,383,174</b></u>
<b>EQUITY AND LIABILITIES</b>			
Share capital		231,572	231,342
Reserves		975,211	851,365
Equity attributable to owners of the parent		1,206,783	1,082,707
Minority interests		50,162	67,512
Total Equity		<u>1,256,945</u>	<u>1,150,219</u>
<b>Non-current and Deferred Liabilities</b>			
Redeemable cumulative convertible preference shares		12,833	13,672
Hire-purchase payables		4,254	5,332
Deferred tax liabilities		1,392	4,875
Total Non-current and Deferred Liabilities		<u>18,479</u>	<u>23,879</u>
<b>Current Liabilities</b>			
Trade payables		41,355	72,513
Other payables and accrued expenses		124,515	79,377
Provisions		15,000	15,000
Hire-purchase payables		2,573	2,234
Bank borrowings	20	15,002	36,577
Tax liabilities		2,493	3,375
		<u>200,938</u>	<u>209,076</u>
Liabilities classified as held for sale		2,060	-
Total Current Liabilities		<u>202,998</u>	<u>209,076</u>
<b>TOTAL LIABILITIES</b>		<u><b>221,477</b></u>	<u><b>232,955</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>1,478,422</b></u>	<u><b>1,383,174</b></u>
Net assets per share attributable to owners of the parent (RM)		<u>5.21</u>	<u>4.68</u>

*(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)*

**LION FOREST INDUSTRIES BERHAD (82056-X)**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	← Attributable to owners of the parent →				Total RM'000	Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profit RM'000			
<b><u>31 December 2010</u></b>							
At 1 July 2010	231,342	688,987	(2,281)	164,659	1,082,707	67,512	1,150,219
Total comprehensive income for the period	-	-	(5,978)	192,541	186,563	(5,381)	181,182
Dividends	-	-	-	(62,525)	(62,525)	(11,927)	(74,452)
Issuance of shares	230	28	-	-	258	-	258
Share-based payments	-	315	(315)	-	-	-	-
Disposal of subsidiary companies	-	-	(220)	-	(220)	(42)	(262)
At 31 December 2010	<u>231,572</u>	<u>689,330</u>	<u>(8,794)</u>	<u>294,675</u>	<u>1,206,783</u>	<u>50,162</u>	<u>1,256,945</u>
<b><u>31 December 2009</u></b>							
At 1 July 2009	230,367	688,028	11,352	12,142	941,889	59,009	1,000,898
Total comprehensive income for the period	-	-	(5,461)	85,530	80,069	2,745	82,814
Share-based payments	-	-	12	-	12	-	12
At 31 December 2009	<u>230,367</u>	<u>688,028</u>	<u>5,903</u>	<u>97,672</u>	<u>1,021,970</u>	<u>61,754</u>	<u>1,083,724</u>

*(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)*

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	CURRENT YEAR TO-DATE 31/12/2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2009 RM'000
<b><u>OPERATING ACTIVITIES</u></b>		
(Loss)/Profit before taxation:		
- Continuing operations	(3,426)	66,762
- Discontinued operations	201,112	29,195
	197,686	95,957
Adjustments for:		
Non-cash items	20,332	(28,313)
Non-operating items	(184,066)	(6,255)
	33,952	61,389
Operating profit before changes in working capital		
Changes in working capital :		
Net changes in current assets	(173,653)	(40,055)
Net changes in current liabilities	8,701	33,178
Others	(2,212)	(3,800)
	(133,212)	50,712
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of property, plant and equipment	(10,589)	(16,249)
Purchase of other investments	(42)	-
Proceeds from disposal of property, plant and equipment	149	323
Proceeds from redemption of investments	957	1,289
Dividend received from an associated company	34,436	-
Net cash inflow/(outflow) from disposal of subsidiary companies	426,745	(9,891)
Decrease in amount owing by holding company	19,938	-
Decrease/(Increase) in amount owing by other related companies	7,645	(4,726)
Cash at banks held under Escrow Account and fixed deposits pledged	(2,564)	(2,731)
Others	8,738	5,148
	485,413	(26,837)
<b><u>FINANCING ACTIVITIES</u></b>		
Decrease in bank borrowings excluding bank overdrafts	(1,815)	(33,099)
Repayment of bonds	-	(3,854)
Dividend paid to equity holders of the Company	(4,632)	-
Proceeds from issue of shares	258	-
Others	(1,519)	4,122
	(7,708)	(32,831)
Net changes in cash and cash equivalents	344,493	(8,956)
Effects of exchange rate changes	(379)	(312)
Cash and cash equivalents at beginning of the period	79,515	65,070
Cash and cash equivalents at end of the period	423,629	55,802

*(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)*

**LION FOREST INDUSTRIES BERHAD (82056-X)**  
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Interim report for the second quarter ended 31 December 2010  
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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**1. Accounting policies and methods of computation**

The interim financial statements have been prepared in accordance with the Financial Reporting Standard ("FRS") 134: "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2010. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2010.

The significant accounting policies adopted in the interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2010 except for the adoption of the following new/revised Financial Reporting Standards ("FRSs"), Amendments to FRSs and IC Interpretations effective for the financial period beginning 1 July 2010:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendment)
FRS 2	Share-based Payment (Amendment)
FRS 3	Business Combinations (Revised)
FRS 4	Insurance Contracts
FRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendment)
FRS 7	Financial Instruments: Disclosures (Amendment)
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs (Revised)
FRS 127	Consolidated and Separate Financial Statements (Amendment)
FRS 132	Financial Instruments: Presentation (Amendment)
FRS 138	Intangible Assets (Amendment)
FRS 139	Financial Instruments: Recognition and Measurement (Amendment)
Improvements to FRSs (2009)	
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

Other than for the application of FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs and IC Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

**a) FRS 101 Presentation of Financial Statements (Revised)**

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity are presented as a single line labelled as total comprehensive income. Comparative information, with exception of the requirements under FRS 139, has been re-presented so that it is also in conformity with the revised standard. This standard does not have any impact on the financial position and results of the Group.

**b) FRS 139 Financial Instruments: Recognition and Measurement**

Prior to the adoption of FRS 139, financial derivatives were recognised on their settlement dates. Outstanding derivatives at the reporting date were not recognised. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognised at contract dates when, and only when the Group becomes a party to the contractual provisions of the instruments.

The measurement bases applied to the financial assets and liabilities in the prior financial year are changed to conform to the measurement standards of the FRS 139 in the current financial period. At initial recognition, all financial assets and financial liabilities are measured at their fair value plus in the case of financial instruments not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the instruments. Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

- Financial instruments at fair value through profit or loss : At fair value through profit or loss
- Held-to-maturity investments : At amortised cost effective interest method
- Loans and receivables : At amortised cost effective interest method
- Available-for-sale investments : At fair value through other comprehensive income, unless fair value cannot be reliably measured, in which case, they are measured at cost
- Loans and other financial liabilities : At amortised cost effective interest method

In accordance with FRS 139, the recognition, derecognition and measurement are applied prospectively from 1 July 2010. The effects of the remeasurement on 1 July 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening retained earnings.

The adoption of FRS 139 has the following effects:

	As at 30.6.2010	Effects of FRS 139	As at 1.7.2010
	RM'000	RM'000	RM'000
<b>Non-Current Assets</b>			
Long term investments	25,933	(25,933)	-
Available-for-sale investments	-	1,468	1,468
Held-to-maturity investments	-	24,465	24,465
<b>Current Assets</b>			
Short term investments	10,552	(10,552)	-
Held-to-maturity investments	-	10,552	10,552
		-	

**2. Comments about seasonal or cyclical factors**

The Group's performance is not affected by any material seasonal or cyclical factors.

**3. Unusual items due to their nature, size or incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial year-to-date.

**4. Changes in estimates**

There were no changes in estimates that have had a material effect in the current quarter and financial year-to-date results.

**5. Debt and equity securities**

During the financial year-to-date, the issued and paid-up share capital of the Company was increased from RM231,341,632 to RM231,571,732 by the issuance of 158,000 new ordinary shares of RM1.00 each at an issue price of RM1.16 per share and 72,100 new ordinary shares of RM1.00 each at an issue price of RM1.04 per share for cash pursuant to the Executive Share Option Scheme of the Company.

Silverstone Corporation Berhad, a subsidiary of the Company, had during the financial year fully redeemed/repaid its SCB Bonds and SPV Debts amounting to RM354.5 million.

Other than the above, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the financial year-to-date.



**6. Dividend paid**

During the current quarter and financial year-to-date, a first and final dividend of 2.0 sen per ordinary share tax exempt, amounting to RM4.6 million in respect of the previous financial year ended 30 June 2010 was paid by the Company.

**7. Segmental information**

The Group's segmental report for the financial year-to-date was as follows :

	<u>Tyre</u>	<u>Building Materials</u>	<u>Petroleum and Automotive Products</u>	<u>Others</u>	<u>Total</u>
<b>Revenue</b>	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Continuing operations</b>					
Total revenue	108,084	119,243	31,826	9,514	268,667
Inter-segment sales	-	-	(596)	-	(596)
External customers	<u>108,084</u>	<u>119,243</u>	<u>31,230</u>	<u>9,514</u>	<u>268,071</u>
<b>Results</b>					
<b>Continuing Operations</b>					
Segment results	(12,158)	2,306	4,332	7,707	2,187
Finance costs					(762)
Share in results of associated companies	-	-	-	(4,851)	(4,851)
Loss before taxation					(3,426)
Taxation					(2,658)
Loss for the period from continuing operations					(6,084)
<b>Discontinued Operations</b>					
Profit for the period from discontinued operations	193,899	-	-	-	193,899
Profit for the period					<u>187,815</u>
<b>Assets</b>					
<b>Continuing Operations</b>					
Segment assets	188,838	257,323	58,256	443,509	947,926
Investments in associates	-	-	-	86,498	86,498
Unallocated corporate assets					443,998
Consolidated total assets					<u>1,478,422</u>

**8. Subsequent events**

Other than as disclosed in Note 19(a), there were no material events subsequent to the end of the current quarter.

**9. Changes in composition of the Group**

The composition of the Group has changed during the financial year-to-date as a result of the disposal of the entire 100% equity interest in Silverstone Berhad on 10 December 2010.

An analysis of the results of discontinued operations is as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/12/2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2009 RM'000	CURRENT YEAR TO-DATE 31/12/2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2009 RM'000
Revenue	120,264	105,378	231,777	213,688
Operating expenses	(103,343)	(89,768)	(202,452)	(184,016)
Profit from operations	16,921	15,610	29,325	29,672
Finance costs	(241)	(256)	(475)	(477)
Gain recognised on the measurement to fair value less costs to sell	172,262	-	172,262	-
Profit before taxation	188,942	15,354	201,112	29,195
Taxation	(4,229)	(2,369)	(7,213)	(4,448)
Profit for the period from discontinued operations	184,713	12,985	193,899	24,747

**10. Changes in contingent liabilities and contingent assets**

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

**11. Performance review**

For the first six months of the financial year, the Group posted a higher revenue of RM268.1 million from its continuing operations compared to RM200.7 million a year ago. The increase in revenue was mainly attributed to favourable sales mix in building materials and higher sales from our tyre operations in China. However, higher raw material prices, especially natural rubber, had affected the Group's performance.

Coupled with a loss from associated companies, the Group registered a loss before tax of RM3.4 million from its continuing operations against a profit of RM66.8 million in the preceding year corresponding period. The profit from associated companies of RM55.5 million recorded in the preceding year corresponding period arose mainly from the disposal of investment in China by a listed associated company.

Overall, the Group posted a higher net profit of RM187.8 million compared to RM89.1 million in the preceding year corresponding period. This is as a result of gain of RM172.3 million on the disposal of Silverstone Berhad on 10 December 2010.

**12. Comment on material change in profit**

	Continuing Operations	
	Revenue RM'000	Profit/(Loss) Before Taxation RM'000
Current quarter (31 December 2010)	144,639	2,058
Immediate preceding quarter (30 September 2010)	123,432	(5,484)

Group revenue from continuing operations improved across all segments by 17% to RM144.6 million for the quarter under review.

Both Building Materials and Petroleum and Automotive Products divisions achieved higher profit from higher sales. However, our tyre operation in China recorded higher loss mainly due to rising raw material costs and stiff competition.

Coupled with a gain on foreign exchange, the Group recorded a profit before taxation of RM2.1 million from its continuing operations against a loss of RM5.5 million in the preceding quarter.

The Group recorded a net profit of RM185.4 million after accounting for the gain on disposal of Silverstone Berhad of RM172.3 million.

**13. a) Prospects**

Our local operations expect to record satisfactory results in view of the positive measures undertaken by the Government to further boost the country's economic growth. The tyre market in China is expected to be challenging amidst escalating raw material prices.

**b) Forecast or target previously announced**

The disclosure requirements are not applicable for the current quarter and financial year-to-date.

**14. Statement of the Board of Directors' opinion on achievement of forecast or target**

The disclosure requirements are not applicable for the current quarter and financial year-to-date.

**15. Profit forecast or profit guarantee**

No profit forecast or profit guarantee was published.

**16. Taxation**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>CURRENT YEAR QUARTER 31/12/2010</u> RM'000	<u>PRECEDING YEAR CORRESPONDING QUARTER 31/12/2009</u> RM'000	<u>CURRENT YEAR TO-DATE 31/12/2010</u> RM'000	<u>PRECEDING YEAR CORRESPONDING PERIOD 31/12/2009</u> RM'000
<b>Continuing operations</b>				
In respect of current period:				
- income tax	1,354	967	3,058	2,445
- deferred tax	-	-	(400)	-
Total income tax expense from continuing operations	<u>1,354</u>	<u>967</u>	<u>2,658</u>	<u>2,445</u>

After excluding the results of associates, the effective tax rates of the Group for the current quarter and financial year-to-date were higher than the statutory tax rate mainly due to losses in certain subsidiaries which cannot be offset against the taxable income of other subsidiaries for tax purposes.

**17. Sale of unquoted investments and properties**

There were no material sale of unquoted investments or properties for the current quarter and financial year-to-date.

**18. Quoted securities**

There were no material purchases or disposals of quoted securities for the current quarter and financial year-to-date.

Details of investments in quoted securities (excluding investments in associates) as at the end of the reporting period were as follows :

	RM'000
At cost	<u>1,138</u>
At carrying value	<u>498</u>
At market value	<u>498</u>

**19. Corporate proposals**a) Status of corporate proposals

No	Date of Announcements	Subjects	Status
1.	18.03.2005 20.04.2006	Proposed joint-venture between the Company and the Pemerintah Kabupaten Malinau (the Regency Government of Malinau) for the proposed development of 40,000 hectares of oil palm plantation and the construction of 2 crude palm oil mills in Malinau Regency, Kalimantan Timur, Republic of Indonesia ("Indonesia").	Pending approvals from: i) Ministry of Forestry, Indonesia; ii) Ministry of Agriculture, Indonesia; and iii) any other relevant authorities in Indonesia and Malaysia.  Approval was obtained from Bank Negara Malaysia.
2.	14.10.2010 13.01.2011	Proposed disposal of : (i) The Company's entire 20% equity interest in Kinabalu Motor Assembly Sendirian Berhad ("KMA") for a total cash consideration of RM1; and (ii) The entire 100% equity interest in Lion Motor Sdn Bhd by Silverstone Corporation Berhad ("SCB"), an 84.16% owned subsidiary of the Company, and by 3 subsidiaries of SCB, for a total cash consideration of RM4 and a cash settlement of inter-company debts of an amount of approximately RM3 million.	Pending approvals from: (i) Ministry of International Trade and Industry, and (ii) Remaining shareholders of KMA on the transfer restriction and terms as set out in the Memorandum and Articles of Association and approval of the Proposed Disposal of KMA.  The parties to the Proposed Disposal have mutually agreed that the date of the fulfillment of the conditions precedent be extended for another three months from 14 January 2011 to 13 April 2011.
3.	21.10.2010 10.12.2010	Proposed disposal of the entire 100% equity interest in Silverstone Berhad, by SCB to Toyo Tire & Rubber Co. Ltd. for a total cash consideration of RM462 million.	Completed on 10 December 2010.
4.	10.02.2010	Proposed subscription by Jadeford International Limited, a wholly-owned subsidiary of the Company, of 17,000,000 3-year Redeemable Cumulative Preference Shares at USD1.00 each in Megasteel Harta (L) Limited, a wholly-owned subsidiary of Megasteel Sdn Bhd ("Megasteel"), which is in turn a subsidiary of Lion Corporation Berhad ("LCB"), for cash of USD17 million.	Pending approval from: (i) the shareholders of LCB, (ii) Syndicated Term Loans lenders of Megasteel, and (iii) any other regulatory approvals and/or parties, if required.

b) Status of utilisation of proceeds

Please refer to Appendix 1 attached.

**20. Borrowings**

The Group's borrowings as at end of the reporting period were as follows :

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Bank borrowings</u>			
Unsecured	15,002	-	15,002
	<u>15,002</u>	<u>-</u>	<u>15,002</u>
		<b>Foreign Currency '000</b>	<b>RM'000</b>
The Group's borrowings were denominated in the following currencies :			
- Ringgit Malaysia		-	795
- US Dollar		4,601	14,207
			<u>15,002</u>

**21. Financial Instruments**

## (a) Disclosure of Derivative

There were no derivative financial instruments.

## (b) Disclosure of gains/losses arising from fair value changes of financial liabilities

There were no material gains/losses arising from fair value changes of financial liabilities for the current quarter and financial year-to-date.

**22. Changes in material litigation**

There were no material litigation since the last annual balance sheet date.

**23. Dividends**

The Board of Directors had on 20 December 2010 declared special dividends in respect of the financial year ending 30 June 2011:

## (a) i. Amount per share: 20 sen per share less 25% taxation and 10 sen per share, tax exempt;

ii. Previous corresponding period: Nil; and

iii. Total dividend for the current financial period: RM34.7 million (tax at 25%) and RM23.2 million (tax exempt).

## (b) Payment date: 21 January 2011.

## (c) Entitlement date: 4 January 2011.

**24. Earnings per share ("EPS")****Basic**

Basic EPS is calculated by dividing the Group's profit attributable to owners of the parent for the period by the weighted average number of ordinary shares of the Company in issue during the financial period as follows:

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>CURRENT YEAR QUARTER 31/12/2010</u>	<u>PRECEDING YEAR CORRESPONDING QUARTER 31/12/2009</u>	<u>CURRENT YEAR TO-DATE 31/12/2010</u>	<u>PRECEDING YEAR CORRESPONDING PERIOD 31/12/2009</u>
Profit attributable to owners of the parent (RM'000)				
- Continuing operations	33,972	42,620	29,356	64,703
- Discontinued operations	155,454	10,928	163,185	20,827
	<u>189,426</u>	<u>53,548</u>	<u>192,541</u>	<u>85,530</u>
Weighted average number of shares in issue ('000)	<u>231,572</u>	<u>230,367</u>	<u>231,507</u>	<u>230,367</u>
Basic EPS (sen)				
- Continuing operations	14.67	18.50	12.68	28.09
- Discontinued operations	67.13	4.74	70.49	9.04
	<u>81.80</u>	<u>23.24</u>	<u>83.17</u>	<u>37.13</u>

**Diluted**

There was no dilutive effects on the EPS as the Executive Share Option Scheme expired on 31 August 2010.

**25. Realised and Unrealised Profits/Losses Disclosure**

The retained profits as at 31 December 2010 and 30 September 2010 is analysed as follows:

	<b>Current Quarter 31/12/2010 RM'000</b>	<b>Immediate Preceding Quarter 30/9/2010 RM'000</b>
Total retained profits of the Company and subsidiaries:		
- Realised	379,123	268,772
- Unrealised	(7,050)	(26,161)
	<hr/> 372,073	<hr/> 242,611
Total share of (accumulated losses)/retained profit from associated companies:		
- Realised	(78,167)	(75,156)
- Unrealised	769	319
	<hr/> 294,675	<hr/> 167,774
Total group retained profits as per consolidated financial statements	<hr/> <hr/> 294,675	<hr/> <hr/> 167,774

**26. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 30 June 2010 was not qualified. However, the auditors drew attention to the uncertainties regarding the provision for damages arising from a litigation claim.

**LION FOREST INDUSTRIES BERHAD (82056-X)**

(Incorporated in Malaysia)

Interim report for the second quarter ended 31 December 2010

(The figures have not been audited)

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

19. b) Status of utilisation of proceeds arising from the disposal of 97.78% equity interest in Sabah Forest Industries Sdn Bhd for a cash consideration of USD261.0 million (approximately RM944.82 million):

	<b>Proposed Utilisation</b>	<b>Actual Utilisation</b>	<b>Intended Timeframe for Utilisation</b>	<b>Deviation</b>		<b>Explanation</b>
	RM'Million	RM'Million		Amount	%	
				RM'Million		
Purpose:						
(i) Capital distribution	420.31	<b>420.55</b>	No fixed timeframe	(0.24) *	-	Fully utilised
(ii) Tyre division	104.36	<b>17.00</b>	No fixed timeframe	87.36	-	Not fully utilised
(iii) Plantation division	70.00	<b>7.26</b>	No fixed timeframe	62.74	-	Not utilised
(iv) Payment to the State Government of Sabah	4.08	-	No fixed timeframe	4.08	-	Not utilised
(v) Estimated expenses	1.50	<b>1.50</b>	No fixed timeframe	-	-	Fully utilised
(vi) Acquisition of debts issued by AMB Harta (L) Limited, a wholly-owned subsidiary of SCB and the bonds and redeemable cumulative convertible preference shares issued by SCB and estimated expenses related thereto	229.97	<b>94.43</b>	No fixed timeframe	135.54 **	-	Not fully utilised
	<u>830.22</u>	<u><b>540.74</b></u>		<u>289.48</u>		
(vii) Funding and investment relating to the business and/or working capital of the Group#	42.33	-		42.33	-	
	<u>872.55</u>	<u><b>540.74</b></u>		<u>331.81</u>		
(viii) Provisional and final adjustment	25.54					
(ix) Adjustment on foreign exchange	46.73					
	<u><u>944.82</u></u>					

\* A total cash payment of approximately RM420.55 million was distributed to all entitled shareholders of which RM0.24 million was sourced from internally generated funds

\*\* A total cash of approximately RM117.70 million was sourced from internally generated funds for the acquisition of SCB bonds and debts

# Pending the Securities Commission's approval

**LION FOREST INDUSTRIES BERHAD (82056-X)**

(Incorporated in Malaysia)

Interim report for the second quarter ended 31 December 2010

(The figures have not been audited)

**PROPOSED NON-CORE DIVESTMENT ASSET PROGRAMME UNDER THE SCB GROUP ("PDP")**

(i) Status of the assets to be divested

Stages of the assets to be divested	PDP RM'million	Total divestment concluded RM'million	Amount received	
			Current quarter RM'million	Year-to-date RM'million
<b>By December 2008</b>				
Wuxi Top Absorber Co Ltd	18.7	18.7	-	18.7
Listed and non-listed shares	9.4	2.6	-	2.6
	28.1			
<b>By December 2009</b>				
Listed shares	84.7	-	-	-
<b>By December 2010</b>				
Nanjing Jingyi Casting Co Ltd	17.5	23.3	-	23.3
Non-listed shares	76.7	-	-	-
	94.2			
<b>Total</b>	<b>207.0</b>	<b>44.6</b>	<b>-</b>	<b>44.6</b>

(ii) Transactions completed during the financial period

There were no transactions completed during the financial period.

(iii) Utilisation of divestment proceeds received for the quarter

This note is not applicable.

(iv) Plans to overcome any projected shortfall

The Group will continue to actively seek potential buyers for the assets / companies under its PDP.

(v) Silverstone Corporation Berhad, a subsidiary of the Company, had on 16 December 2010 fully repaid/redeemed its SCB Bonds and SPV Debts.